

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Clinton Area Ambulance Service Authority	County Clinton
Fiscal Year End 3/31/06	Opinion Date 5/11/06	Date Audit Report Submitted to State 7/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, PC, CPA's		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Steven R. Kirinovic	Zip 48823
		License Number 1101022020	

**Clinton Area Ambulance Service Authority
St. Johns, Michigan**

FINANCIAL STATEMENTS

March 31, 2006

Clinton Area Ambulance Service Authority

St. Johns, Michigan

March 31, 2006

AUTHORITY BOARD MEMBERS

Mr. Eric Mohnke	Chair
Mr. Clare Koenigsknecht	Vice-Chair
Mr. Lee Chant	Treasurer
Mr. Gregory Armbrustmacher	Secretary
Mr. Stephen Schafer	Board Member
Mr. George Abbott	Board Member
Mr. Gary Hyde	Board Member
Mr. Robert Wood	Board Member
Mr. David Swanson	Board Member
Mr. Mark Bates	Board Member
Mr. Dennis Simon	Board Member

Clinton Area Ambulance Service Authority

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Principals

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Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the
Clinton Area Ambulance Service Authority
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund of the Clinton Area Ambulance Service Authority as of and for the year ended March 31, 2006, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Clinton Area Ambulance Service Authority as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 11, 2006

Clinton Area Ambulance Service Authority

Management's Discussion and Analysis

New Financial Reporting

Starting with fiscal year ended March 31, 2006, the Clinton Area Ambulance Service Authority, (the "Authority") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and others with a better understanding of how the Authority's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Authority. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Authority's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Authority's financial health.

The discussion and analysis of financial performance provides an overview of the Authority's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Authority's financial statements.

Comparative analysis will be provided in future years, as it is not required in the first year of implementation of GASB #34.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- The assets of the Authority exceeded its liabilities at the close of the most recent year by \$592,904 (net assets).
- The Authority's total net assets decreased by \$29,096, as the result of current year activity.
- The Governmental Funds finished the 2006 year with a decrease to fund balance of \$81,109. The ending fund balance for the 2006 year for the Governmental Funds was \$396,884.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Clinton Area Ambulance Service Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Clinton Area Ambulance Service Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2006. A comparative analysis of data will be presented in future years when the information is available.

Assets	
Current assets	\$ 424,734
Capital assets	<u>196,020</u>
Total assets	620,754
Liabilities	
Current liabilities	27,850

Clinton Area Ambulance Service Authority

Management's Discussion and Analysis

The Authority as a Whole - continued

Net Assets	
Invested in capital assets	\$ 196,020
Unrestricted	<u>396,884</u>
Total net assets	<u>\$ 592,204</u>

The Authority's total net assets were \$592,204 at March 31, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$396,884 at the end of the year. The net asset invested in capital assets were at \$196,020. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Revenue	
Program revenue:	
Charges for services	\$ 622,232
Operating grants and contributions	36,791
General revenue:	
Investment earnings	8,470
Miscellaneous	<u>2,872</u>
Total revenue	670,365
Program Expenses	
Health and welfare	<u>699,461</u>
Change in Net Assets	<u>\$(29,096)</u>

Governmental Activities

The Authority's governmental revenues totaled \$670,365 with the greatest revenue sources being charges for services and intergovernmental contributions. Charges for services and intergovernmental contributions make up approximately 88 and 10 percent, respectively, of total governmental revenue.

The Authority incurred expenses of \$699,461 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the health and welfare function.

The Authority's Funds

The analysis of the Authority's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the Clinton Area Ambulance Service Authority as a whole. The Clinton Area Ambulance Service Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only major fund for the fiscal year ended March 31, 2006 was the Operating (Special Revenue) Fund. The only other fund the Authority has is the nonmajor fund, which is utilized for capital projects.

The Operating Fund pays for all of the Authority's governmental services except major capital outlay purchases, which are paid for out of the Capital Projects Fund. The sole service provided during the fiscal year was ambulance services, which incurred expenditures of approximately \$651,432 for the fiscal year.

Clinton Area Ambulance Service Authority

Management's Discussion and Analysis

Capital Assets and Debt Administration

At the end of the fiscal year, the Authority had \$196,020 invested in emergency service vehicles and equipment (net of accumulated depreciation). In 2006, an ambulance was purchased for a total addition to capital assets of \$100,042.

The Authority issued no new debt during the year and no long-term debt outstanding at year-end.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and others with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clinton Area Ambulance Service Authority Director at 989-227-5713.

BASIC FINANCIAL STATEMENTS

Clinton Area Ambulance Service Authority

STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash	\$ 313,337
Accounts receivable, net of allowance for doubtful accounts	<u>111,397</u>
Total current assets	424,734
Noncurrent	
Capital assets, net of accumulated depreciation	<u>196,020</u>
TOTAL ASSETS	620,754
LIABILITIES	
Current	
Accounts payable	11,138
Accrued wages	6,785
Other accrued liabilities	<u>9,927</u>
TOTAL LIABILITIES	<u>27,850</u>
NET ASSETS	
Invested in capital assets	196,020
Unrestricted	<u>396,884</u>
TOTAL NET ASSETS	<u><u>\$ 592,904</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Health and welfare	<u>\$ 699,461</u>	<u>\$ 622,232</u>	<u>\$ 36,791</u>	\$ (40,438)
General revenues:				
Investment earnings				8,470
Miscellaneous				<u>2,872</u>
Total general revenues				<u>11,342</u>
CHANGE IN NET ASSETS				(29,096)
Net assets, beginning of year				<u>622,000</u>
Net assets, end of year				<u>\$ 592,904</u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority
GOVERNMENTAL FUND BALANCE SHEET

March 31, 2006

	Special Revenue Fund	Nonmajor Governmental Fund Capital Projects Fund	Total
ASSETS			
Cash	\$ 77,764	\$ 235,573	\$ 313,337
Accounts receivable, net of allowance for uncollectible accounts	<u>111,397</u>	<u>-</u>	<u>111,397</u>
TOTAL ASSETS	<u>\$ 189,161</u>	<u>\$ 235,573</u>	<u>\$ 424,734</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,138	\$ -	\$ 11,138
Accrued wages	6,785	-	6,785
Other accrued liabilities	<u>9,927</u>	<u>-</u>	<u>9,927</u>
TOTAL LIABILITIES	27,850	-0-	27,850
FUND EQUITY			
Fund balances			
Unreserved - undesignated	<u>161,311</u>	<u>235,573</u>	<u>396,884</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 189,161</u>	<u>\$ 235,573</u>	<u>\$ 424,734</u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Fund balances - governmental funds \$ 396,884

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 544,991	
Accumulated depreciation is	<u>(348,971)</u>	
		<u>196,020</u>
Net assets of governmental activities		<u><u>\$ 592,904</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2006

	Special Revenue	Nonmajor Governmental Fund Capital Projects Fund	Total
REVENUES			
Intergovernmental			
Townships and Village	\$ -	\$ 36,791	\$ 36,791
Charges for services	622,232	-	622,232
Interest	315	8,155	8,470
Other	2,872	-	2,872
TOTAL REVENUES	625,419	44,946	670,365
EXPENDITURES			
Current			
Health and welfare	651,432	-	651,432
Capital outlay	-	100,042	100,042
TOTAL EXPENDITURES	651,432	100,042	751,474
EXCESS OF REVENUES (UNDER) EXPENDITURES	(26,013)	(55,096)	(81,109)
Fund balance, beginning of year	187,324	290,669	477,993
Fund balance, end of year	\$ 161,311	\$ 235,573	\$ 396,884

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balance - governmental fund	\$ (81,109)
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Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 100,042	
Depreciation expense	<u>(48,029)</u>	
Excess of capital outlay over depreciation expense		<u>52,013</u>
Change in net assets of governmental activities		<u><u>\$ (29,096)</u></u>

See accompanying notes to financial statements.

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Clinton Area Ambulance Service Authority was created on April 1, 2005, by a joint venture agreement between the following municipalities: City of St. Johns, Village of Fowler, Village of Maple Rapids, Township of Bengal, Township of Bingham, Township of Dallas, Township of Essex, Township of Greenbush, Township of Lebanon, and Township of Riley. Effective April 1, 2005 the Clinton Area Ambulance Services (a nonprofit entity) transferred all their existing assets, liabilities, and remaining equity to the newly formed Clinton Area Ambulance Service Authority. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, and MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. The Board is comprised of eleven (11) members; two (2) members from the City of St. Johns and one (1) member from each of the remaining municipalities. The Director oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

The Authority is intended to operate as much as possible from funds and income derived from operations. However, each municipality is responsible for remitting an annual financial contribution pursuant to a formula based upon a per capita contribution based upon each incorporation municipality's population as determined by the most recent U.S. Department of Census figures.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Clinton Area Ambulance Service Authority. The Clinton Area Ambulance Service Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's major fund and nonmajor fund.

The major fund of the Authority is:

- a. The General (Special Revenue) Fund is used to account for all financial resources to be used for ambulance services provided to each participating municipality.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include charges for services and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

The Authority reports deferred revenue, if applicable, on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Accounts Receivable

Accounts receivable consists of amounts due from governmental assistance programs (i.e., Medicaid and Medicare), private insurances, and individual patients for ambulance services provided. The amounts reflected in the financial statements are net of an applicable allowance for doubtful collections, which is based on historical collection patterns.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Capital Assets

Capital assets include vehicles and equipment, furniture and fixtures, and buildings and improvements. Capital assets are stated at cost (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. There is no capitalization policy threshold. All material purchases of assets with an estimated useful life of greater than one (1) year are capitalized. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the double-declining and straight-line method over the following useful lives:

Furniture, fixtures, vehicles, and equipment	3 - 15 years
Building and improvements	15 - 31.5 years

7. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

8. Budgets and Budgetary Accounting

The Special Revenue (Operating) Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted, amendments resulting in a net change of not more than five percent of the total budget are permitted once per fiscal quarter without Board approval. The budget may also be amended without limitation upon approval by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

NOTE B: CASH

Clinton Area Ambulance Service Authority's deposits consist of a checking and savings account, which is reported as cash in the financial statements.

In accordance with Michigan Compiled Laws, the Clinton Area Ambulance Service Authority is authorized to invest in the following investment vehicles:

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE B: CASH - CONTINUED

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of March 31, 2006, the carrying amount and bank balance are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and savings	<u>\$ 313,337</u>	<u>\$ 336,905</u>

Deposits of the Clinton Area Ambulance Service Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Clinton Area Ambulance Service Authority. As of March 31, 2006, the Authority's accounts were insured by the FDIC for \$200,000 and the amount of \$136,905 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Authority has not adopted a policy that indicates how the Authority will minimize credit risk if/when the Authority has investments that are subject to this type of risk.

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE B: CASH - CONTINUED

Interest rate risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Authority has investments that are subject to this type of risk.

Concentration of credit risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Authority has investments that are subject to this type of risk.

Custodial credit risk

The Authority has not adopted a policy that indicates how the Authority will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in possession of an outside party if/when the Authority has investments that are subject to this type of risk.

NOTE C: ACCOUNTS RECEIVABLE

The following is an analysis of accounts receivable as of March 31, 2006:

Accounts receivable, gross	\$ 158,873
Less: allowance for doubtful accounts	(47,476)
Accounts receivable, net	<u>\$ 111,397</u>

NOTE D: RISK MANAGEMENT

The Authority is exposed to various risks of loss for liability, property, employee dishonesty, workers' compensation, and employer's liability for which the Authority carries commercial insurance.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Governmental activities				
Capital assets being depreciated				
Buildings	\$ 42,330	\$ -	\$ -	\$ 42,330
Lease and improvements	20,441	-	-	20,441
Vehicles and equipment	338,514	100,042	-	438,556
Furniture and fixtures	<u>43,664</u>	<u>-</u>	<u>-</u>	<u>43,664</u>
Total capital assets being depreciated	444,949	100,042	-0-	544,991

Clinton Area Ambulance Service Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2006</u>
Less accumulated depreciation for:				
Buildings	\$ (39,383)	\$ (311)	\$ -	\$ (39,694)
Lease and improvements	(6,015)	(1,439)	-	(7,454)
Vehicles and equipment	(234,958)	(39,377)	-	(274,335)
Furniture and fixtures	<u>(20,586)</u>	<u>(6,902)</u>	<u>-</u>	<u>(27,488)</u>
Total accumulated depreciation	<u>(300,942)</u>	<u>(48,029)</u>	<u>-0-</u>	<u>(348,971)</u>
Capital assets, net	<u>\$ 144,007</u>	<u>\$ 52,013</u>	<u>\$ -0-</u>	<u>\$ 196,020</u>

Depreciation expense was wholly allocated to the lone governmental function (health and welfare) in the amount of current depreciation expense of \$48,029.

REQUIRED SUPPLEMENTARY INFORMATION

Clinton Area Ambulance Service Authority

Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 669,224	\$ 669,224	\$ 622,232	\$ (46,992)
Interest	500	500	315	(185)
Other	3,276	3,276	2,872	(404)
TOTAL REVENUES	673,000	673,000	625,419	(47,581)
EXPENDITURES				
Current				
Salaries and wages	387,220	387,220	385,959	1,261
Payroll taxes and other fringe benefits	34,100	34,100	31,297	2,803
Utilities	3,960	3,960	3,986	(26)
Communications	8,400	8,400	8,046	354
Licenses	500	500	855	(355)
Billing service fees	64,000	64,000	62,394	1,606
Contractual services	41,386	41,386	15,725	25,661
Uniforms	2,500	2,500	4,562	(2,062)
Insurance	58,210	58,210	58,786	(576)
Advertising	900	900	3,777	(2,877)
Supplies	34,100	34,100	41,880	(7,780)
Repairs and maintenance	9,950	9,950	11,066	(1,116)
Training	4,500	4,500	4,305	195
Miscellaneous	11,260	11,260	10,686	574
Collection fees	3,000	3,000	826	2,174
Laundry	2,000	2,000	1,697	303
Postage	550	550	435	115
Rent	5,200	5,200	5,150	50
TOTAL EXPENDITURES	671,736	671,736	651,432	20,304
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,264	1,264	(26,013)	(27,277)
Fund balance, beginning of year	187,324	187,324	187,324	-0-
Fund balance, end of year	<u>\$ 188,588</u>	<u>\$ 188,588</u>	<u>\$ 161,311</u>	<u>\$ (27,277)</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Board of Directors
Clinton Area Ambulance Service Authority
St. Johns, Michigan

Ladies/Gentlemen:

As you know, we have recently completed our audit of the Clinton Area Ambulance Service Authority's records for the year ended March 31, 2006. In connection with the audit, we feel some changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the systems. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Authority should review areas of operations and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Organization may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, general ledger, journal entries, etc.).

While this is a common occurrence in small organizations due to the limited number of accounting personnel, the Board of Directors should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Authority review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Authority Board provide review and supervision of employee functions and procedures.

2. The Board should amend the Authority's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit it was noted that the Authority has not amended their investment policy to address the reporting requirements of GASB Statement No. 40. Effective for the year ended March 31, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Authority's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Authority's financial statements by GASB Statement No. 40.

3. A reconciliation between run reports and billings is not performed.

During the course of our audit we noted the Authority does not perform a reconciliation between the run reports generated for each emergency run and the billing reports received from Medical Management Systems. Without a periodic reconciliation between the emergency runs and the subsequent billings, the Authority cannot assure all runs performed are being billed and that they are receiving all revenue due to them for services performed.

We suggest the Authority perform a periodic reconciliation of the emergency runs to the actual billings to ensure all runs are subsequently billed and collected.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated May 11, 2006.

This report is intended solely for the information of the Board of Directors of the Clinton Area Ambulance Service Authority and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 12, 2005